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TAGS: [PBTS](#) [ECON](#) [EPET](#) [PREL](#) [GY](#)
SUBJECT: VENEZUELA-GUYANA BORDER DISPUTE OVERSHADOWS
ECONOMIC DEVELOPMENT, REGIONAL COOPERATION

REF: A. 04GEORGETOWN257
[1](#)B. 05GEORGETOWN979
[1](#)C. 05GEORGETOWN1184
[1](#)D. GEORGETOWN 519
[1](#)E. 04GEORGETOWN185
[1](#)F. 01GEORGETOWN679

Classified By: ECONOMIC OFFICER EDWARD LUCHESSI FOR REASONS
1.4(b) and (d)

1.(C) SUMMARY: For better or worse, the long-simmering Guyana-Venezuela border dispute has tempered the GOG's receptiveness to the BRV's outreach in the region. Despite Hugo Chavez's high-profile visit to Guyana in February 2004, relations between Guyana and Venezuela remain cordial but not close. A number of factors, most notably the border issue and fiscal austerity requirements that have kept Guyana from tapping PetroCaribe, have prevented Guyana from moving toward its Western neighbor's camp geopolitically and economically. The border issue also continues to undermine Guyana's development of its resource-rich Essequibo region, to the detriment of Guyanese and U.S. economic interests. Nevertheless, Guyana is unlikely to push for resolution lest it agitate the BRV. END SUMMARY.

CURRENT STATE OF RELATIONS

[1](#)2. (C) Venezuela currently claims Guyanese territory west of the Essequibo River, which had been formally awarded to then-British Guyana by an Arbitral Tribunal in 1899. The two countries have been working the issue through the U.N. Good Offices process since 1990, with little forward motion. In the most recent high-level discussion of the matter, following Chavez's February 2004 visit to Georgetown, President Jagdeo told Emboffs that Chavez had dismissed the claim as spurious and said the dispute was an imperialist issue, blaming pressure from the U.S. and UK in the run-up to Guyana's independence for Venezuela's pursuit of the claim (Ref A). However, the BRV has shown no willingness to renounce the claim.

[1](#)3. (SBU) In his speech justifying the foreign affairs budget in February 2006, GOG FonMin Rudy Insanally described recent relations with Venezuela as a "quiet truce" and said the GOG continues to work through "patient diplomacy" to resolve the border issue. News of the Venezuelan National Assembly's approval of a Chavez-inspired motion to add an eighth star to the Venezuelan flag to represent the province of Guyana in March 2006 made headlines in Guyana but did not inspire a concerted GOG response. The two countries continue to maintain dialogue through the Guyana/Venezuela High Level

Bilateral Commission (HLBC) and its various subcommittees dealing with health, political consultations, transportation, culture, and narcotics. The last meeting, held March 31-April 1, 2006, in Georgetown and attended by Isanally and BRV Foreign Affairs Vice Minister Cesar Pavel Rondon Daza, included language reaffirming commitment to the U.N. Good Offices Process and instructing the facilitators to meet before May 15, 2006. As of mid-June 2006, this meeting has not occurred. Head of the Frontiers Unit of the GOG Ministry of Foreign Affairs, Keith George, says the meeting was delayed due to the parliamentary responsibilities of Guyana's facilitator, Ralph Ramkarran, the Speaker of Guyana's parliament, in the run-up to the dissolution of Guyana's parliament in anticipation of the impending elections. George expects the two facilitators will meet with each other and the Good Officer, Oliver Jackman of Barbados, prior to the U.N. General Assembly in September, at which point the foreign ministers are expected to meet as well.

ECONOMIC IMPACT

¶4. (U) Uncertainty surrounding the border issue has led to decades of missed economic opportunities in the Essequibo region. Among the more high-profile incidents was Texas-based Beal Aerospace's decision to forgo construction of a USD 100 million rocket launch site long the Waini River in October ¶2000. While the company ultimately cited declining profitability of the aerospace industry as the cause of its withdrawal of the program--which also encountered substantial political opposition within Guyana--the project received severe condemnation from the BRV Foreign Ministry, which branded the project a "colonialist arrangement" that would provide cover for U.S. military expansion in the region.

Development of the region's oil resources is also held up by the border situation. ExxonMobil, which holds a potentially lucrative concession in the offshore beds that fall within the disputed area, has been unable to cultivate the block lest it jeopardize its holdings in the BRV.

¶5. (C) Partly as a result of the border issue, Guyana has been slow to embrace the BRV's offers to the region, including PetroCaribe. Historically, Guyana has been wary of Venezuelan petropolitics, as evidenced by Jagdeo's statement during negotiations of the Caracas Energy Accord in 2000 that Guyana "has always been opposed to petroleum or food-exporting countries using these commodities as political weapons against importing countries." To be certain, other factors have also tempered Guyana's attitude toward PetroCaribe. Guyana has yet to receive any PetroCaribe shipments, due mostly to its inability to assume additional debt and the Prime Minister's preference that the oil be refined in Trinidad prior to shipment to Guyana (Ref B). Prime Minister Hinds reiterated his call for an arrangement whereby oil could be sourced from Venezuela and refined in Trinidad in a media interview in March 2006.

¶6. (C) Ironically, fuel smuggling may also undermine the attractiveness of PetroCaribe in Guyana. ExxonMobil executives recently informed post they estimate that 20% of the fuel available on the Guyanese market is smuggled out of Venezuela. Guyana is essentially already accessing cheap fuel from Venezuela--without incurring an additional debt burden--albeit through the informal economy. A lack of GOG capacity to market PetroCaribe fuel may also be tempering Guyana's involvement in the initiative. The state-owned Guyana Oil Company (GUYOIL) has been plagued by mismanagement and scandal, culminating in the ouster of its second managing director in four years in October 2005. Among the more scandalous events surrounding the management shake-up was the revelation that Guyoil was unable to account for GD85 million (USD425,000).

COOPERATION ON OTHER FRONTS

¶17. (C) Talk of a road linking Guyana with Venezuela has persisted for some time with little development. The March 2006 HLBC called for convening a Joint Venezuela/Guyana Technical Committee to discuss terms of reference for a feasibility study. The road gained the endorsement of a team of technical experts who examined three potential routes before recommending a road project move forward in the GOG's Transportation Sector Study issued in early 2006 (ref. C). However, the potential for any movement forward on a road is slim. President Jagdeo has dismissed the idea in the past as a "possible Trojan horse" (ref. A), and competing GOG transport priorities, including the long-awaited Berbice River Bridge and a road to Brazil, would take precedence.

¶18. (U) Venezuela sent environmental scientists and relief supplies in February 2006, following flooding in the Mahaica River basin. The government-owned Guyana Chronicle featured a front-page photograph of a Venezuelan military plane arriving at Timehri airport. Commerce Minister Manzoor Nadir also negotiated with Venezuelan authorities to source 30,000 tons of cement to alleviate a shortage in March 2006.

¶19. (C) Guyana has a standing invitation for Jagdeo to reciprocate Chavez's 2004 state visit, an invitation that was reiterated in the March HLBC. However, FonMin Insanally recently told Emboffs that Venezuela had demurred on a visit this year, citing impending elections in both countries (ref. D). Post reporting at the time of Chavez's 2004 visit, however, implied that the trip was hastily planned in part to project an image of a government "not under siege" (Ref E), suggesting Chavez may seize such erratic political opportunism in the future. In the meantime, the next HLBC subcommittee meeting, the Mixed Commission on Drugs, is expected to meet in late June.

¶10. (C) COMMENT: Guyana is essentially paralyzed in its relations with Venezuela. The BRV indirectly exerts control over western Guyana, an area rich in natural resources, by dissuading large-scale economic development there. This state of affairs materially harms Guyana (and hampers U.S. commercial interests too). However, the GOG is very reluctant to push for a bilateral resolution, for fear of antagonizing Chavez. Instead, the GOG would rather have others apply the pressure on Venezuela to resolve the border dispute. Tellingly, President Jagdeo has in the past requested that

USG and UK issue statements affirming the 1899 settlement and the current boundary (Ref F).

¶11. (C) COMMENT CONTINUED: There is another factor at work as well--Chavez and Castro appeal on some level to those in the GOG who still harbor Marxist sympathies. Despite the damage wrought by Venezuela's specious claim, they instinctively gravitate to Venezuela and Cuba and regard the U.S. with utmost suspicion.

BULLEN